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Message Text

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11
ACTION AF-18

INFO OCT-01 ISO-00 SS-20 L-03 H-03 SPC-03 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 AID-20

EB-11 COME-00 TRSE*-00 FEA*02 INT-08 SCI-06 CIEP-02

OMB-01 DRC-01 NSC-10 /140 W
* -----V---------- 103120
R 150940Z JAN 74
FM AMEMBASSY ADDIS ABABA
TO SECSTATE WASHDC 7255
INFO AMCONSUL ASMARA

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E.O. 11652: N/A
TAGS: ENRG, ET
SUBJECT: PROJECTED INCREASE IN 1974 ETHIOPIAN FOREIGN EXCHANGE
COSTS FOR PETROLEUM IMPORTS

REF: ADDIS 0430

1. EMBASSY ESTIMATES ADDITIONAL COSTS TO 1974 ETHIOPIAN IMPORT BILL DUE TO RECENT CRUDE OIL PRICE INCREASES TO BE US $ 35 - 50 MILLION. THIS BASED ON ANTICIPATED IMPORT DEMAND OF 400,000 METRIC TONS (MT) OF CRUDE AND 64,000 MT OF REFINED PRODUCTS.

2. ASSUMPTIONS UNDERLYING ESTIMATE ARE: A) ETHIOPIAN 1974 PETROLEUM DEMAND REMAINING ESSENTIALLY AT 1972 VOLUME LEVELS. WE UNDERSTAND 1973 IMPORTS ONLY SLIGHTLY ABOVE 1972 LEVELS. WITH CONTINUED CURRENT STAGNATION IN DOMESTIC ECONOMY WE LOOK FOR LITTLE CHANGE IN 1974 DEMAND, ESPECIALLY GIVEN JAN 9 DOUBLING PRICE OR REFINED PRODUCTS (SEE REFTEL); B) QUADRUPLING PRICE CRUDE USED IN ETHIOPIAN REFINERY AT ASSAB OVER ACTUAL 1972 LEVEL; C) TWO TO FOURFOLD INCREASE IN 1972 PRICE REFINED PRODUCTS DURING 1974. MG8 US $35 MILLION INCREASE EUQALS RECENT TWOFOLD RETAIL PRICE RISE NOTED REFTEL. MAXIMUM US $50
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MILLION INCREASE ASSUMES INCREASE IN COST REFINED PRODUCTS UN-

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LIKELY TO EXCEED RECENT FOURFOLD PRICE RISE FOR GULF CRUDE.

3. ETHIOPIAN NET FOREIGN ASSETS CURRENTLY US $200 MILLION. INCREASED PRICE 1974 PETROLEUM IMPORTS ALONE COULD THEREFORE CONSUME AS MUCH AS ONE-FOURTH PRESENT RESERVE HOLDINGS.

4. COMMENT: UNCLEAR HOW IEG WILL RESPOND TO PETROLEUM PRICE INCREASES. HIM MET WITH COUNCIL OF MINISTERS JAN 4 TO DISCUSS PROBLEM. (IEG USING US $50 MILLION FIGURE AS ADDITIONAL COST OF 1974 PETROLEUM IMPORTS.) FIRST STEPS NOTED REFTEL INCLUDE RETAIL PRICE INCREASES AND ESTABLISHMENT OF SPECIAL COMMITTEE TO STUDY SITUATION. RUMORS CIRCULATING RE POSSIBLE GASOLINE RATIONING. HOWEVER, THIS UNLIKELY TO YIELD APPRECIABLE SAVINGS IN LIGHT LIMITED NONESSENTIAL CONSUMPTION BY ETHIOPIAN MOTOR VEHICLES. WITH LITTLE FAT TO TRIM AND NO IMMEDIATE FINANCIAL RELIEF FROM ARAB PRODUCERS YET APPARENT, IEG MAY HAVE NO CHANCE AVOIDING ADDITIONAL HEAVY FOREIGN EXCHANGE DRAIN IN 1974. ADAIR

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
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Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTS, PRICES, FOREIGN EXCHANGE HOLDINGS
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Copy: SINGLE
Draft Date: 15 JAN 1974
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